U.S. House of Representatives

COMMITTEE ON THE BUDGET

Washington, DC 20515

October 2, 2000

Dear Democratic Colleague:

Attached is a report which describes how Congressional Republicans have shifted billions of dollars back and forth between fiscal years to hide spending and create the appearance of hitting one-year budget targets.

Congress's frequent use of timing shifts helps show why the Republicans' so-called "90/10 budget plan" is an empty gesture. Congress can and frequently does concoct gimmicks to shift the costs of a multi-year program — or for that matter a multi-year tax cut — out of a single fiscal year to camouflage its true cost. This means that tax and spending bills can undermine long-term debt reduction even though they can be shoe-horned within the 90/10 limit for one year. For now, Republicans have given up on passing tax cuts costing up to $1 trillion and are using their 90/10 plan to claim the mantle of deficit reduction. But even a cursory examination of their plan shows that it is not a credible, effective, or serious commitment to paying down the debt and protecting Social Security and Medicare.

I hope this report is helpful. If you have any questions, please feel free to call me or have your staff call the House Budget Committee's Democratic staff at x67200.

Sincerely,

John Spratt

John M. Spratt, Jr.
Ranking Democratic Member

House Budget Committee
Democratic Caucus

U.S. Rep. John Spratt ■ Ranking Democratic Member

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The Saga of Timing Shifts in Appropriations Bills Reveals Fundamental Flaws in the "90/10 Plan"

During the last couple of years, Congress has shifted billions of dollars back and forth between fiscal years to hide spending and create the appearance of hitting one-year budget targets. One-year targets seem to stimulate Congress's imagination and give rise to ever more creative ways to spend money while hiding the costs.

Congress's frequent use of timing shifts helps show why the so-called 90/10 plan can be a meaningless budgetary gesture. Congress can always concoct gimmicks to shift the costs of a multi-year program — or for that matter a multi-year tax cut — out of a single fiscal year to camouflage its true cost. Because the 90/10 plan does not address the costs of programs and tax cuts beyond this fiscal year, no one knows the ultimate cost of spending increases or tax cuts enacted within the plan's "constraints." All we know is that the first-year target can be stretched as needed to accommodate even the costliest of policies.

Recent Timing Shifts — Following the constantly shifting sums of money this year and last has been like trying to keep track of a game of three-card monte. Through actions last fall and in 1997, Congress delayed a total of $11.7 billion from FY 2000 to FY 2001. In July of this year, Congress repealed those shifts. Then this month, with FY 2001 about to begin, Congress tried to repeal part of the July repeal. However, CBO and OMB have now declared that it is too late, and neither will score the repeal of the repeal.

The Illusion of Spending Restraint in FY 2000 — The $11.7 billion that Congress initially delayed from FY 2000 to FY 2001 did not save any money, of course. It merely slowed Treasury payments enough to shift them from September to October. Since the fiscal year ends September 30, these timing shifts merely made the FY 2000 budget look smaller while making the FY 2001 budget look bigger.

Most of the $11.7 billion in gimmicks, $7.5 billion in fact, were enacted last year to create an illusion of spending restraint in FY 2000. They helped Congress pretend that it had hit the tough spending targets of the budget resolution that had passed that spring.

***The July Repeal* —** Congress has now given up even pretending to meet the FY 2000 targets; now Congress is pretending to meet its FY 2001 budget targets.[1] So in July, Congress repealed the entire $11.7 billion in timing shifts that had previously been enacted, ostensibly creating "savings" in FY 2001 that could be spent. Although the repeal increased FY 2000 outlays, which should have triggered a harsh sequestration, the bill directed OMB to ignore the spending caps that it had been so important to meet the year before.

***Repealing the Repeal in September* —** Freeing up $11.7 billion for added spending in FY 2001 was too much for certain Senators, who demanded that the gimmicks be reduced by $4.2 billion. This $4.2 billion consisted of both outlay and budget authority shifts between FY 2000 and FY 2001. Thus, the July shift of the $4.2 billion freed up additional funding for FY 2001 and also altered the stream of outlays. The conference agreement on the Treasury and Legislative Branch appropriations bill calls for repeal of the $4.2 billion timing shift enacted in July.

But it is now too late. Even if the Treasury bill were enacted tonight, it is far too late for the Veterans Administration and the Social Security Administration to reprogram their computers to make the payments in October, as would be required. Consequently, CBO and OMB will score the budget authority and outlays in FY 2000, when they will actually occur.

***A Key Lesson* —** The timing games of the last two years show why one-year budget targets are meaningless, whether they are spending targets or tax targets. Congress always can and routinely has evaded them, moving costs into adjacent years by monkeying with effective dates and phase-ins. Congress can pass spending initiatives or tax cuts with huge multi-year costs under the guise of fiscal discipline afforded by the meaningless one-year target, like the one-year targets in the 90/10 plan.

List of timing shifts repealed in July

Payments	Amount (billions)	Enacted	Type
most federal salaries	4.1	1999	Outlays only
health research	1.7	1999	Outlays only
military contractors	1.2	1999	Outlays only
military financing for Israel	0.5	1999	Outlays only
SSI benefits	2.4	1997	BA & outlays
VA compensation and pensions	1.8	1997	BA & outlays
TOTAL	11.7		

[1] The budget target for FY 2001 is in reality a moving target; Congress is already over the FY 2001 target set by this spring's budget resolution even after shifting $11.7 billion back into FY 2000, and the so-called "90/10 Plan" allows Congress to go even further over the target set in the budget resolution.